APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

96-1079

STUDIENGESELLSCHAFT KOHLE, M.B.H.,
Plaintiff-Appellant,

v.

SHELL OIL COMPANY,
Defendant/Cross-Appellant.

Appealed from U.S. District Court
for the Southern District of Texas
Judge Gilmore

DECIDED: May 5, 1997

Before RADER, SCHALL, and BRYSON, *Circuit Judges.*

RADER, *Circuit Judge,*

The United States District Court for the Southern District of Texas determined that claims 1-6 and 14 of U.S. Patent No. 4,125,698 ('698 patent) are invalid, and that infringement of claim 13 by Shell Oil Company's (Shell) polypropylene operations and infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations were not

properly before the court. Studiengesellschaft Kohle m.b.H. (SGK), the owner of the '698 patent, appeals these decisions. Further, the district court certified the following question under 28 U.S.C. § 1292(b) (1994):

> Where the Court has found the relevant patent claims invalid, may the Licensor recover damages for breach of contract for past royalties due on processes allegedly covered by such claims, from the date of the alleged breach until the date that the Licensee first challenged validity of the claims?

Because an applicant cannot combine multiple prior applications to obtain an earlier filing date for an individual claim, this court affirms the district court's invalidity holding. Because infringement involving claim 13 and Shell's polybutylene operations was properly before the district court, this court reverses and remands. Finally, this court answers the certified question in the affirmative.

I.

SGK is the licensing arm of a famous, non-profit research and educational organization in Germany—the Max-Planck Institute for Coal Research. The '698 patent is part of a family of patents filed by Professor Karl Ziegler, a Nobel laureate and past director of the Max-Planck Institute, and various co-inventors. Ziegler and his coworkers initially discovered that combinations of reducing agents (most notably organo-aluminum compounds) and heavy metal compounds would polymerize ethylene to form high molecular plastics. Ziegler extended this discovery to the polymerization of higher members of the ethylene series, such as propylene and butene. Ziegler, et al. filed the 770,484 application, which matured into the '698 patent, on October 29, 1958.

In another case, this court categorized the '698 patent as a continuation-in-part (CIP) because it was not limited to a single parent application. *See Studiengesellschaft*

Kohle m.b.H. v. Northern Petrochemical Co., 784 F.2d 351, 352, 228 USPQ 837, 838 (Fed. Cir. 1986). The 770,484 CIP application, which was filed on October 29, 1958, combined Ziegler's 482,412 application, filed January 17, 1955, with his 514,068 application, filed June 8, 1955. On December 6, 1955, over a year before the filing of the 770,484 application, Belgian Patent No. 538,782 (the Belgian Patent) issued. Claims 1-6 and 14 of the '698 patent, both parties agree, cover a process disclosed in the Belgian Patent.

Shell and SGK first entered into an agreement involving the Ziegler family of patents in 1974. Under that agreement, SGK licensed Shell to polymerize propylene under the Ziegler patents. When the '698 patent issued in 1978, the 1974 agreement already authorized Shell to practice the claimed process. In 1987, after several disputes over this license, Shell and SGK renegotiated the license only with regard to the '698 patent. The new terms provided Shell a paid-up license to produce 450 million pounds of polypropylene per year, with a 1.5% running royalty on any polypropylene sales in excess of 450 million pounds. Further, the amended agreement obligated Shell to give a yearly accounting of its entire polypropylene production. In that yearly accounting, Shell was to "specify the amount of Polypropylene produced which it considers as falling outside of the license and . . . provide SGK, in confidence, with sufficient information to allow SGK to independently evaluate whether or not said production is, in fact, outside of the scope of the license."

In 1987, Shell also began producing polypropylene by an alleged new process in Seadrift, Texas (the Seadrift Process). Because Shell contended that the '698 patent did not cover the Seadrift Process, Shell did not pay royalties on polypropylene produced by that process. Moreover, in its yearly accountings to SGK, Shell did not disclose its production of polypropylene by the Seadrift Process.

Ultimately, SGK terminated Shell's license and brought an action for unpaid royalties from 1987 through 1993. Additionally, SGK set forth claims for infringement of the '698 patent for the period 1993 through 1995. Shell moved for summary judgment of invalidity of claims 1-6 and 14 of the '698 patent based on anticipation by the Belgium patent. SGK responded by arguing that the '698 patent is not anticipated because it is entitled to an earlier filing date than the Belgian patent. To arrive at this earlier filing date, SGK relied on 35 U.S.C. § 120 (1994) to combine the disclosures of the two earlier patent applications (the 482,412 application and the 514,068 application).

The district court held that section 120 does not permit the combination of two earlier disclosures to acquire an earlier filing date, because "an earlier application must comply with the requirements of § 112 for each claim that seeks the benefit of the filing date of that earlier application." As none of the parent applications alone describes the invention recited in claims 1-6 and 14 of the '698 patent, the district court held that these claims were only entitled to the filing date of the continuation-in-part application (October 29, 1958). Thus, the district court determined that the Belgian Patent anticipated claims 1-6 and 14 of the '698 patent, and, therefore, granted summary judgment of invalidity under 35 U.S.C. § 102(b).

The district court further ruled that the only matter remaining before it was SGK's claim for royalties under the parties' license. In that regard, the district court held that a licensor could recover damages for breach of a license agreement where the validity of the underlying patent was not challenged until after the breach occurred. The district court certified the question of whether the invalidity determination on claims 1-6 and 14 would affect plaintiff's claim for unpaid royalties for the period before Shell challenged the validity of the patent.

II.

On appeal, SGK contends that the district court erred in concluding that the disclosures of two earlier filed applications cannot be combined to acquire an earlier filing date under 35 U.S.C. § 120, and in granting summary judgment of invalidity based on that ruling. This court reviews issues of statutory interpretation *de novo*. *See In re Carlson*, 983 F.2d 1032, 1035, 25 USPQ2d 1207, 1209 (Fed. Cir. 1992). Additionally, this court reviews a grant of summary judgment *de novo*. *See Winner Int'l Corp. v. Wolo Mfg. Corp.*, 905 F.2d 375, 376, 15 USPQ2d 1076, 1077 (Fed. Cir. 1990).

Section 120 sets forth the requirements for a patent application to receive the benefit of the earlier filing date from a prior application:

> An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States . . . which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application . . . if it contains or is amended to contain a specific reference to the earlier filed application.

35 U.S.C. § 120. To qualify for an earlier filing date, section 120 requires, *inter alia*, that the earlier-filed U.S. patent application contain a disclosure which complies with 35 U.S.C. § 112, ¶ 1 (1994) for each claim in the newly filed application. Thus, this benefit only applies to claims that recite subject matter adequately described in an earlier application, and does not extend to claims with subject matter outside the description in the earlier application. *See Waldermark Link, GmbH & Co. v. Osteonics Corp.*, 32 F.3d 556, 558-59, 31 USPQ2d 1855, 1857 (Fed. Cir. 1994). In other words, a claim complies with 35 U.S.C. § 120 and acquires an earlier filing date if, and

only if, it could have been added to an earlier application without introducing new matter. *See Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1566, 28 USPQ2d 1081, 1088-89 (Fed. Cir. 1993).

Under 35 U.S.C. § 112, ¶ 1, and consequently under 35 U.S.C. § 120 as well, an applicant must "convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention." *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563-64, 19 USPQ2d 1111, 1117 (Fed. Cir. 1991). An applicant cannot show possession of an invention based upon a combination of several distinct previous applications unless he shows that one of the applications discloses the invention. *See In re Scheiber*, 199 USPQ 782, 785 (CCPA 1978) (Baldwin, J., concurring). In other words, a claim that relies upon a combination of previously-filed applications is not to be entitled to an earlier filing date because the applicant has not demonstrated possession of the complete invention at the time of an earlier application. *Id.* at 785 ("[A]ppellant is asking [the court] to make the decision that various bits of his claimed invention are supported in the parent applications. . . . The majority opinion properly rejects this approach."). In sum, 35 U.S.C. § 120 requires an applicant to meet the disclosure requirement of § 112, ¶ 1 in a single parent application in order to obtain an earlier filing date for individual claims.

Appellant relies on *Ex Parte Janin*, 209 USPQ 761 (PTO Bd. App. 1980) for the proposition that parent applications may be combined to support a later claim.*

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* SGK additionally relies on *Carusi v. Looker*, 342 F.2d 112, 144 USPQ 670 (CCPA 1965). *Carusi*, however, provides no support for this proposition. First, *Carusi* dealt with conception and reduction to practice in an interference case, rather than 35 U.S.C. § 120. The PTO had previously allowed Looker an earlier effective filing date, but that decision was not challenged on appeal. Second, the prosecution history shows that Looker had successfully added the

In *Janin*, the Board allowed the appellant to rely on the combined disclosure of two parent applications to support a single claim in a later-filed application. The Board distinguished that case from the situation in *Scheiber*: "[H]ere, the basic process and claimed improvement is disclosed in each of the parent applications and it is only in considering the basic starting materials that we have to direct our attention to separate applications to find adequate support." *Janin*, 209 USPQ at 764. *Janin* attempts to distinguish the situation where one patent application discloses most of the claimed invention and the other application only provides one small aspect to complete the claimed invention from a situation where both parent applications contain "various bits and pieces" of the claimed invention. *Id.* The application in *Janin* comes far closer to meeting the § 112, ¶ 1 standard than did the application in *Scheiber*. Nevertheless, Janin's application did not satisfy that standard, despite the Board's allowance of an earlier filing date. The claims at issue in *Janin* were not completely supported by the disclosure of any one parent application, and, thus, could not meet the § 112, ¶ 1 requirement. *Id.* ("[W]e recognize support for the subject matter of claim 13 is dependent upon the combined disclosures of both parent applications."). Accordingly, this court finds unpersuasive the Board's attempt in *Janin* to limit the holding of *Scheiber* and circumvent the § 112, ¶ 1 standard. Thus, this court affirms the district court's ruling that the disclosures of two earlier filed applications cannot be combined to acquire an earlier filing date under 35 U.S.C. § 120.

SGK concedes that it could not add the '698 patent claims to either the 482,412 or the 514,068 applications without introducing new matter. Specifically, the 482,412 application disclosed only the polymerization of ethylene

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claim at issue to one of his parent applications, prior to the filing of his CIP application, without raising a 35 U.S.C. § 112 rejection. Thus, one of the parent applications alone must have contained sufficient disclosure to meet the 35 U.S.C. § 112, ¶ 1 standard.

olefins, while the '698 patent claims polymerization of a broader class of alpha-olefins. Similarly, the 514,068 application disclosed the use of catalysts from a narrower group of metal compounds than the '698 patent. Neither the 482,412 nor the 514,068 application alone shows complete possession of the invention claimed in the '698 patent. Because individual claims of the '698 patent could not have been added to any single, previously-filed application, the '698 patent is not eligible for an earlier filing date. Based on its original filing date, the '698 patent is anticipated by the Belgian Patent.

This court, consequently, affirms the district court's grant of summary judgment of invalidity under 35 U.S.C. § 102(b) of claims 1-6 and 14 of the '698 patent. Additionally, because claims 1-6 and 14 are invalid, this court need not reach the issue of claim construction with regard to these claims.

III.

In its order holding claims 1-6 and 14 invalid, the district court stated:

> The Court ORDERS that Defendant Shell Oil Company's Motion for Summary Judgment That claims 1-6 and 14 of U.S. Patent No. 4,125,698 Are Invalid is GRANTED. Defendant Shell's Motion for Summary Judgment of Noninfringement of U.S. Patent No. 4,125,698 is DENIED as moot. Trial will proceed on Plaintiff Studiengesellschraft Kohle's claim for breach of contract.

The district court declined to rule on infringement of claim 13 by Shell's polypropylene operations and infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations.

Looking first at claim 13, SGK alleges infringement of the '698 patent in its complaint, without specifying any particular claims. The complaint states that SGK "elects to treat defendant's [Shell's] manufacture of polypropylene

as an infringement of plaintiff's [SGK's] U.S. patent 4,125,698." At no point did SGK express an intent to drop its assertion that Shell infringed claim 13. Nevertheless, Shell alleges that SGK implicitly dropped claim 13 from the suit when it failed to reassert that claim after Shell's "dispositive" summary judgment motion.

Shell's sumary judgment motion sought a judgment of noninfringement of claims 1-6 and 14 of the '698 patent. Resolving this motion, the trial court stated: "Defendant's motion for summary judgment is granted. Shell Oil Company has not infringed U.S. Patent No. 4,125,698." SGK, after Shell's motion, reasserted infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations, but did not reassert infringement of claim 13 by Shell's polypropylene operations. SGK, however, did not state that infringement of claims 7, 9-12, and 15 by the polybutylene operations were the only issues remaining in the suit. The record does not reveal, nor does the district court offer, any valid reason for declining to consider the claim 13 infringement question. This court determines that infringement of claim 13 remains before the district court. On remand, the district court will have an opportunity to address this claim.

Next, this court considers the issue of infringement of claims 7, 9-12, and 15 by Shell's polybutylene operations. In its final judgment, the district court perceived "no claim before the Court raising the question of whether any of the defendant's polybutylene operations infringe U.S. Patent 4,125,698." SGK purports to have added infringement by Shell's polybutylene operations to the pleadings by operation of law.

With regard to amendments by operation of law under Fed. R. Civ. P. 15(b), this court applies the law of the regional circuit. *See Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 856, 20 USPQ2d 1252, 1258 (Fed. Cir. 1991). The Fifth Circuit reviews the denial of a motion to amend pleadings for an abuse of discretion.

See Norman v. Apache Corp., 19 F.3d 1017, 1021 (5th Cir. 1994); *Avatar Exploration, Inc. v. Chevron, U.S.A.*, 933 F.2d 314, 320-21 (5th Cir. 1991). An appellate court, however, may set aside a discretionary decision which rests on an erroneous interpretation of law or on clearly erroneous factual underpinnings. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1039, 22 USPQ2d 1321, 1333 (Fed. Cir. 1992) (in banc).

When declining to address infringement of the '698 patent by Shell's polybutylene operations, the district court stated that the claim involving polybutylene appears for the first time in the joint pretrial order. To the contrary, the record reveals that the polybutylene claim first appears in Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment. In fact, Shell recognized and opposed SGK's introduction of the issue. Thus, the district court clearly erred in finding that SGK only introduced the polybutylene issue at the pretrial order stage.

Further, despite the district court's contrary statement, a plaintiff may—under some circumstances—introduce a new cause of action through its pretrial order. Fed. R. Civ. P. 15(b) permits, with the express or implied consent of the parties, the trial of issues not raised by the pleadings. Although this court is unaware of any Fifth Circuit Court of Appeals case law directly addressing introduction of a new cause of action through a pretrial order, *but see Marsh Inv. Corp. v. Langford*, 620 F. Supp. 880, 883 (E.D. La. 1985); *Silver v. Nelson*, 610 F.Supp. 505, 520 (E.D. La. 1985), the Fifth Circuit has advocated a liberal policy toward allowing such amendments, *see Mineral Indus. & Heavy Const. Group v. Occupational Safety and Health Review Comm'n*, 639 F.2d 1289, 1292 (5th Cir. 1981). Additionally, other circuits have permitted introduction of new causes of action through both stipulations and pretrial orders. *See Blackwell v. Regal Cab Co.*, 316 F.2d 398, 399-400 (D.C. Cir. 1963); *Bucky v. Sebo*, 208 F.2d 304, 305 (2d Cir. 1953); *see*

also 3 James Wm. Moore, *Moore's Federal Practice*, ¶ 15.13[2] (2d ed. 1996). Because the district court erred in overlooking the Fed. R. Civ. P. 15(b) procedure, and clearly erred in finding that SGK delayed raising infringement by Shell's polybutylene operations until the pretrial order, this court reverses, and remands the issue of infringement of claims 7, 9-12, and 15 for further consideration.

IV.

The district court also certified a question concerning the effect of an invalidity finding on unpaid royalties. *See* 28 U.S.C. § 1292(b) (1994). According to the 1987 licensing agreement, Shell agreed to pay SGK a 1.5% running royalty on the sale of any polypropylene, produced with a heavy metal catalyst as defined in claim 1 of the '698 patent, in excess of 450 million pounds per year. Further, as discussed above, this agreement obligated Shell to give a yearly accounting of its entire polypropylene production, specifying "the amount of Polypropylene produced which it considers as falling outside of the license." The agreement obligated Shell to provide SGK with sufficient information to allow independent evaluation of whether its production falls outside the scope of the license. The record shows that Shell breached this contract by producing polypropylene under the Seadrift Process, without either paying royalties or reporting the production as outside of the license.

Nothing in this license made payment of royalties contingent upon the validity of the '698 patent. Setting aside momentarily both federal patent law and policy, this contract—regardless of the patent's validity—obligates Shell to pay royalties on polypropylene produced in accordance with claim 1 of the '698 patent. In other words, contract law governs the enforcement of the license. Enforcement of these contract terms is not contingent upon validity of the patent which defines the subject matter of the license. Assuming that the Seadrift Process infringes claim 1 of the

'698 patent and thus fits within the terms of the license, Shell breached the license by failing to pay royalties. Enforcement of the license, if the Seadrift Process infringes the '698 patent, would require Shell to pay back royalties.

With a patent licensing agreement at stake, this court examines the contract for rare, but potential, conflicts between state contract law and federal patent law. For example, in *Lear v. Adkins*, 395 U.S. 653 (1969), the Supreme Court prevented the enforcement of a valid royalty payment agreement to facilitate a determination of patent validity. Specifically, the Supreme Court declined to estop a patent licensee from contesting the validity of the licensed patent. *See id.* at 674; *Cordis Corp. v. Medtronic, Inc.*, 780 F.2d 991, 995, 228 USPQ 189, 191-92 (Fed. Cir. 1985). In tones that echo from a past era of skepticism over intellectual property principles, the Court in *Lear* feared that

> [l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery. If they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification. We think it plain that the technical requirements of contract doctrine must give way before the demands of the public interest . . . .

Lear, 395 U.S. at 670. Thus, in examining the interface between national patent policy and state contracts, the Supreme Court requires this court to consider "whether overriding federal policies would be significantly frustrated" by enforcing the license. *Id.*

This court encountered the *Lear* test when an assignor-inventor and his company sought to defend against an infringement action by challenging the validity of the assigned patents. *See Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 6 USPQ2d 2028 (Fed. Cir. 1988). With careful consideration of the *Lear* test and policies,

this court nonetheless estopped the assignor from challenging the validity of the patent:

> To allow the assignor to make that representation [of the worth of the patent] at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could work an injustice against the assignee. . . . [D]espite the public policy encouraging people to challenge potentially invalid patents, there are still circumstances in which the equities of the contractual relationships between the parties should deprive one party . . . of the right to bring that challenge.

Diamond Scientific, 848 F.2d at 1224-25. Indeed, in several other settings, this court has distinguished *Lear. See, e.g., Foster v. Hallco Mfg. Co.,* 947 F.2d 469, 476-77, 20 USPQ2d 1241, 1246-47 (Fed. Cir. 1991) (*Lear* does not bar enforcement of settlement agreement and consent decree); *Sun Studs, Inc. v. ATA Equip. Leasing, Inc.,* 872 F.2d 978, 991-93, 10 USPQ2d 1338, 1349-41 (Fed. Cir. 1989) (*Lear* does not bar enforcement of contract promise to share royalties); *Hemstreet v. Spiegel, Inc.,* 851 F.2d 348, 350-51, 7 USPQ2d 1502, 1504 (Fed. Cir. 1988) (*Lear* does not bar enforcement of settlement agreement to pay royalties even if patent later held invalid).

As in *Diamond Scientific,* this court detects no significant frustration of federal patent policy by enforcing the 1987 license agreement between Shell and SGK, to the extent of allowing SGK to recover royalties until the date Shell first challenged the validity of the claims. First, as in *Diamond Scientific,* Shell executed a contractual agreement which produced significant benefits for the corporation and attested to the worth of the patent. Under the agreement (with its provision for Shell to notify SGK of all polypropylene production), Shell had the benefits of producing polypropylene insulated from unlicensed competition, insulated from investigations of infringement, and even insulated from royalties (until SGK's discovery of the

Seadrift Process). To these benefits, Shell now seeks to add the benefit of abrogating its agreement and avoiding its breach of the contract. Following the reasoning of *Diamond Scientific,* this court must prevent the injustice of allowing Shell to exploit the protection of the contract and patent rights and then later to abandon conveniently its obligations under those same rights. *See Diamond Scientific,* 848 F.2d at 1224-25; *see also Cordis Corp.,* 780 F.2d at 995 (quoting *Warner-Jenkinson Co. v. Allied Chem. Corp.,* 567 F.2d 184, 188, 193 USPQ 753, 757 (2d Cir. 1977) ("It would not be fair for the [licensee] to be allowed simultaneously to reap all the benefits of the licensing agreement and to deprive the licensor of all his royalties.")).

Just as important, however, Shell's apparent breach of its duty to notify under the agreement is itself more likely to frustrate federal patent policy than enforcement of the contract. As already noted, *Lear* focused on the "full and free use of ideas in the public domain." *Lear,* 395 U.S. at 674. By abrogating its notification duty, Shell delayed a timely challenge to the validity of the '698 patent and postponed the public's full and free use of the invention of the '698 patent. Shell enjoyed the protection of the license from 1987 until SGK became aware of the Seadrift Process. Upon SGK's discovery of its Seadrift process, Shell suddenly seeks the protection of the *Lear* policies it flaunted for many years. However, a licensee, such as Shell, cannot invoke the protection of the *Lear* doctrine until it (i) actually ceases payment of royalties, and (ii) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid. Other circuits addressing this issue have arrived at the same conclusion. *See, e.g., Rite-Nail Packaging Corp. v. Berryfast, Inc.,* 706 F.2d 933, 936-37 (9th Cir. 1983); *Hull v. Brunswick Corp.,* 704 F.2d 1195, 1203 (10th Cir. 1983); *American Sterilizer Co. v. Sybron Corp.,* 614 F.2d 890, 897-98 (3d Cir. 1980);

PPG Indus., Inc. v. Westwood Chem., Inc., 530 F.2d 700, 706, 708 (6th Cir. 1976).

In this factual setting, therefore, enforcement of the license according to its terms, even if this entails a determination of whether the Seadrift process infringes a now-invalidated patent, does not frustrate federal patent policy. Accordingly, this court remands this case to the district court for enforcement of the license (prior to the date Shell first challenged the validity of the claims) and, if necessary, computation of back royalties.

V.

In accordance with this opinion, this court affirms the district court holding that claims 1-6 and 14 are invalid under 35 U.S.C. § 102(b). This court, however, remands the case to the district court for proper consideration of infringement of claim 13, infringement by Shell's polybutylene operations, and infringement of the '698 patent by the Seadrift Process—including a determination of back royalties if necessary.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND REMANDED

[Entered Aug. 31, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Civil Action No. H-93-3267

STUDIENGESELLSCHAFT KOHLE, M.B.H.,
Plaintiff,

VS.

SHELL OIL COMPANY,
Defendant.

ORDER

On this day the Court considered two motions for summary judgment filed by the defendant (Instrument Nos. 36 and 39). Having reviewed the submissions of both parties and the relevant law, the Court concludes that no triable issues of fact exist regarding the validity of the claims presented in U.S. Patent No. 4,125,698 (the "'698 patent") (Def.'s Ex. A.) The motion for summary judgment on the validity of claims 1-6 and 14 of the '698 patent is granted and the breach of contract cause of action is dismissed as a matter of law. The motion for summary judgment on the infringement cause of action is moot as a matter of law.

I.

The above-referenced case is an action for breach of contract and patent infringement arising from the manufacture of polypropylene. Studiengesellschaft Kohle, m.b.H. ("SGK") is a German corporation that holds rights to a number of patents including the '698 patent. Shell

is a Delaware corporation having its principal place of business in Houston. Shell has a plant in Seadrift, Texas that manufactures propylene polymers.

At issue is whether Shell's Seadrift plant manufactured polypropylene using a method set forth in a valid patent. The '698 patent describes the polymerization of alpha-olefins such as propylene with the use of a catalyst. The application for the patent, Application Serial No. 770,484 (the "'698 application") was filed on October 29, 1958. The patent was issued on November 14, 1978. The '698 patent is related to a number of earlier filed applications: (1) Serial No. 469,069 ("Z1") was filed on November 15, 1954; (2) Serial No. 482,412 ("Z2") (Def.'s Ex. F) was filed on January 17, 1955; (3) Serial No. 514,068 ("Z4") (Def.'s Ex. H) was filed on June 8, 1955; and Serial No. 527,413 ("Z5") (Def.'s Ex. I) was filed on August 9, 1955. The '698 patent and all of the related applications were filed by the same individuals and each relates to the polymerization of olefins using a catalyst. The catalyst in each application consists of two components, one organo-aluminum compound and one heavy metal compound.

SKG claims that Shell (1) failed to pay royalties from the sale of excess polypropylene pursuant to a license agreement between the parties, (Compl., ¶ 4, 5), and (2) infringed a patent held by SGK by using one or more of its patented processes to manufacture polypropylene, (*id.* at ¶ 9).[1] In the alternative, SKG seeks a declaratory judgment on the issue of infringement. (*Id.* at 5.)

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[1] In the pretrial order, SGK claims that Shell infringed the '698 patent by producing polybutylene. This claim does not appear in the complaint, nor did SGK request leave to file an amended complaint to add such a complaint. Rather, the claim for infringement by producing polybutylene appears for the first time in the joint pretrial order. This second infringement claim is separate from the infringement claim included in the complaint. This claim is not properly before the Court. The plaintiff may not bring new and separate causes of action through its pretrial order. The claim for

II.

Summary judgment is proper when pleadings and evidence on file, along with affidavits, show that there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The substantive law determines which facts are material, *Anderson v. Liberty Lobby, Inc.*, 106 S.Ct. 2505, 2509-10 (1986), and the court must view these facts and the inferences to be drawn from them in the light most favorable to the party opposing the motion. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 106 S.Ct. 1348, 1356 (1986) (citing *United States v. Diebold, Inc.*, 82 S.Ct. 993, 994 (1962)); *Reid v. State Farm Mut. Auto. Ins. Co.*, 784 F.2d 577, 578 (5th Cir. 1986).

The burden of proof is on the moving party to show an absence of evidence to support the nonmoving party's case. *Celotex Corp. v. Catrett*, 106 S.Ct. 2548, 2552-55 (1986). Once this burden has been met, the nonmoving party can resist the motion for summary judgment by making a positive showing that a genuine dispute of material fact does indeed exist and that it consists of more than bare allegations in briefs and pleadings. *Anderson*, 106 S.Ct. at 2511.

Summary judgment is appropriate in a patent case as in any other where no genuine issue of material fact is present and the movant is entitled to judgment as a matter of law. *Jonsson v. Stanley Works*, 903 F.2d 812, 816 (Fed. Cir. 1990); *Haynes Int'l, Inc. v. Jessop Steel Co.*, 8 F.3d 1573 (Fed. Cir. 1993), *clarified on reh'g in part*, 15 F.3d 1076 (Fed. Cir. 1994). In order to defeat summary judgment, the non-movant's evidence must present a question of material fact which requires submission to a jury. *Jonsson*, 903 F.2d at 816.

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infringement through the production of polybutylene does not exist as a triable claim in this action and cannot be considered.

III.

Shell requests summary judgment that claims 1-6 and 14 of the '698 patent are not valid. The defendant bears the burden of establishing facts by clear and convincing evidence that would require a conclusion of invalidity of the patent. 35 U.S.C. § 282; *American Hoist & Derrick Co. v. Sowa & Sons,* 725 F.2d 1350 (Fed. Cir.), *cert. denied,* 105 S.Ct. 95 (1984). A patent is presumed valid. 35 U.S.C. § 282.

At the outset, the Court holds that the '698 application is a "continuation-in-part," or CIP application. SGK maintains that the application is instead a "continuation," relying on the language of the cover page of the patent. The evidence does not support this conclusion. The Patent Examiner and the Federal Circuit have held that the '698 application was a continuation in part and this Court is persuaded by the reasoning of each. (*See* Def.'s Ex. J at 3.) *See also Studiengesellschaft Kohle, m.b.H. v. Northern Petrochemical Co.,* 784 F.2d 351, 352 (Fed. Cir.), *cert. dismissed,* 106 S.Ct. 3343 (1986).

Shell argues that claims 1-6 and 14 are invalid because the claims are anticipated by Belgian Patent No. 538,782 ("the Belgian patent") (Def.'s Ex. B). Section 102(b) of Title 35 of the United States Code states that a person shall be entitled to a patent unless "the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." If a prior art reference discloses each and every limitation set forth in a claim, then that claim is "anticipated" by the prior reference. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.,* 806 F.2d 1565, 1574 (Fed. Cir. 1986). In order to determine whether each claim of a patent is invalid under § 102(b), the court must determine the effective filing date of each claim. The '698 application must have been filed within one year of

the patent date of the prior art reference before the patent claims may be found valid.

Shell maintains that the effective filing date of the '698 patent can be no earlier than the date that the '698 application was actually filed, which falls outside the one-year period. SGK appeals to 35 U.S.C. § 120. Under 35 U.S.C. § 120, a patent applicant may receive the benefit of an earlier filing date based on earlier U.S. patent applications.[2] Claims containing matter introduced in the parent application are entitled to the filing date of the parent application, but claims with matter introduced in the CIP are accorded the filing date of the CIP application. *Waldemar Link v. Osteonics Corp.*, 32 F.3d 556, 558 (Fed. Cir. 1994). The benefit of an earlier filing date is limited to those claims that recite subject matter described in an earlier application, and does not extend to any claims that may recite subject matter not properly described in an earlier application. *Id.* "A patentee cannot obtain the benefit of the filing date of an earlier application where the claims in issue could not have been made in the earlier application." *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1566 (Fed. Cir. 1993), *cert. denied*, 114 S.Ct. 1540 (1994). In order for a claim of the '698 patent to receive the benefit of a filing date prior to October 29, 1958, the invention recited in that claim must be described in either Z2, Z4, or Z5 in the manner provided by the first paragraph of 35 U.S.C. § 112.

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[2] An application for patent for an invention disclosed in the manner provided by the first paragraph of [35 U.S.C. § 112] in an application previously filed in the United States, or as provided by section 363 of this title, by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application.

Id.

As mentioned, the court must determine whether the previous claims contained sufficient disclosure under 35 U.S.C. § 112, first paragraph.[3] *Waldemar,* 32 F.3d at 558, *citing Utter v. Hiraga,* 845 F.2d 993, 998 (Fed. Cir. 1988). This is a question of law. *Id.* However, compliance with the written description aspect of § 112 is a question of fact. *Id.*

Summary judgment is inappropriate where the resolution of what the parent disclosure conveyed to those skilled in the art presents a material issue of fact. *Vas-Cath Inc. v. Mahurkar,* 935 F.2d 1555, 1567 (Fed. Cir. 1991). The fact finder must determine whether one skilled in the art, reading the original specification, would immediately discern the limitation at issue in the parent. *Waldemar,* 32 F.3d at 558, *citing In re Rasmussen,* 650 F.2d 1212, 1215 (C.C.P.A. 1981). A specification might enable one of skill in the art to practice an invention, without actually providing a written description of that invention. *Vas-Cath,* 935 F.2d at 1561. If there is a genuine dispute as to this issue then summary judgment is not proper. The circumstances surrounding the prosecution of the patent application are also relevant. *Waldemar,* 32 F.2d at 559.

The parties disagree as to the way in which the Court should determine whether the requirements of § 112 were met by previous claims. This is a dispute of law, not fact. SGK argues that the Court should compare each claim in the '698 patent to all of the contents of the parent applications taken together. This argument is unsupported by statutory and case law. The language of § 120 does not support the contention that the later application should be

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[3] 35 U.S.C. § 112, first paragraph states:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

compared against a composite of all other related applications. The statute strongly implies that the later application shall be measured against each single parent application taken separately. An earlier application must comply with the requirements of § 112 for each claim that seeks the benefit of the filing date of that earlier application. Consequently, the Court should reject SGK's interpretation of the legal standard relevant to this case.

Neither Z2, Z4, nor Z5 describes the invention recited in claims 1-6 and 14 of the '698 patent.[4] Each is discussed in turn.

The Z2 application is limited to the polymerization of ethylene and does not mention the polymerization of other olefins, while claims 1-6 and 14 of the '698 patent are directed to the polymerization of all alpha-olefins. (Def.'s Ex. F, at 1-2; Decl. of Robert Grubbs, Def.'s Ex. G, ¶¶ 8, 10.) SGK counters that page 7 of the Z2 application includes a paragraph relating to the polymerization of other olefins, but presents no evidence to create an issue of fact as to whether one skilled in the art could construe the specification as describing a process for the polymerization of olefins other than ethylene. (*See id.*, ¶ 10). Moreover, the Fifth Circuit has essentially rejected SGK's interpretation of that paragraph. *See, e.g., Studiengesellschaft Kohle, m.b.H. v. Eastman Kodak Co.*, 616 F.2d 1315, 1334-35 (5th Cir. 1980).

The Z2 application also does not describe the catalyst in the '698 patent claims because the former discloses the use of compounds of Group VIII metals or compounds of manganese only if the aluminum compound is a dialkyl or diaryl aluminum monohalide. (Def.'s Ex. F, at 2, 6.) Claims 1-6 and 14 of the '698 patent are much broader, because they recite using Group VIII metals or manganese with a wide variety of aluminum compounds. SGK does not dispute this deficiency in the Z2 disclosure. Instead, SGK attempts to import from the '698 specification the

[4] The Z1 application is not relevant to this discussion.

limitation that compounds of Group VIII metals or manganese are only to be used with the dialkyl or diaryl aluminum monohalides.

However, "while it is true that the claims should be interpreted *in light of* the specification and with a view to ascertaining the invention, it does not follow that limitations from the specification may be read into the claims. . . . ." *Sjolund v. Musland,* 847 F.2d 1573, 1581 (Fed. Cir. 1988) (emphasis in original). The catalyst used in claims 1-6 and 14 of the '698 patent is broader in scope than the catalyst described in the Z2 application. Thus, Z2 does not describe the catalyst recited in claims 1-6 and 14 of the '698 patent.

The Z4 application differs from the '698 patent in that the former excludes the use of heavy metal oxides in the polymerization catalyst. (Def.'s Ex. H, at 5.) The '698 patent cites a heavy metal component of the catalyst that includes freshly precipitated oxides of particular metals. (Ex. A, cols. 21-22; Ex. G, ¶ 14.) SGK says the Z4 specification describes the use of heavy metal oxides to polymerize olefins. However, the Court concludes that this fact dispute is not genuine. The Z4 application does not contain a written description of heavy metal oxides as a component of the claimed catalyst. Nor does Z4 describe polymerization using Group VIII heavy metals or manganese; SGK does not dispute this. (Def. App. A31.)

In addition, Z4 does not discuss a polymerization process carried out at a pressure between atmospheric pressure and 100 atmospheres. Claim 5 of the '698 patent does. The Z4 application does not describe a polymerization process carried out at a pressure above 25 atmospheres.

It is undisputed that Z5 (1) does not describe a process for polymerizing olefins having more than two carbon atoms and (2) does not mention Group VIII metals or manganese.

SGK contends incorrectly that the Belgian patent is not prior art by virtue of its publication date. Shell provides

ample and sufficient factual evidence to establish that the Belgian patent is effective as a prior art patent as of the date the patent was issued, December 6, 1955. (*See* Def.'s Exs. B at 1; M, Manual of Patent Examining Procedures § 901.05(F)(3)(5th Ed. Rev. 1994).) That the patent was not published until July 3, 1959 is of no relevance.

It is undisputed that Example 22 of the Belgian patent describes a process that satisfies every limitation of claims 1-6 and 14 of the '698 patent. (Def.'s App. A20; Def.'s Ex. C, at 41-42). If the experiment described in Example 22 of the Belgian patent were conducted today, the experiment would infringe each of claims 1-6 and 14 of the '698 patent. Example 22 of the Belgian patent anticipates these claims. *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1573 (Fed. Cir.), *cert. denied*, 107 S.Ct. 178 (1986). Example 22 only discloses one species recited in the '698 patent claims. That is enough because a reference disclosing a species anticipates claims to the genus. *Titanium Metals Corp. of America v. Banner*, 778 F.2d 775, 782 (Fed. Cir. 1985).

The '698 patent is not entitled to the benefit of an earlier filing date under 35 U.S.C. § 120. All of the claims included in the '698 patent but not described in the parent applications as discussed above must take the filing date of the continuation-in-part application, October 29, 1958.

The Belgian patent was available as a reference long before the '698 patent was filed. Any claims of the '698 patent which are not entitled to an earlier filing date are invalid under 35 U.S.C. § 102(b). The claims of the '698 patent which are the subject of SGK's breach of contract cause of action all relate to the manufacture of polypropylene and, as those claims are invalid, the breach of contract cause of action must be dismissed. The remaining claim for patent infringement is moot insofar as that cause of action is based on the claims held invalid by this Order.

Throughout its responsive pleadings and the hearing on this motion, SGK argues that its claim for breach of contract remains viable even if this Court holds that the patent forming the basis for the licensing agreement is invalid. SGK claims that Shell breached the license agreement by underreporting its production and sale of polypropylene and underpaying royalties on such production. SGK wishes to recover the amount owed in royalties and other damages it claims to have suffered as the result of such breach.

It is not clear whether SGK is entitled to recover royalty payments or damages for breach of contract arising from a license agreement based on a patent which is ultimately held to be invalid. Several circuits have held that equity requires that the licensor recover royalties incurred before and until the validity of the underlying patent is challenged. *Compare Bristol Locknut Co. v. SPS Technologies, Inc.*, 677 F.2d 1277 (9th Cir. 1982) (allowing recovery of royalties accrued but not paid before date licensee challenged validity) *with PPG Indus., Inc. v. Westwood Chem., Inc.*, 530 F.2d 700 (6th Cir.) (affirming award of back royalties from date of cessation of payments until filing date of lawsuit despite invalidity of underlying patent), *cert. denied*, 97 S.Ct. 76 (1976) *and American Sterilizer Co. v. Sybron Corp.*, 614 F.2d 890 (3d Cir.) (allowing royalty payment until validity of patent challenged by filing lawsuit), *cert. denied*, 101 S.Ct. 88 (1980). The Federal Circuit has not addressed the issue of back royalties directly. However, the Federal Circuit determined that the law does not require that a licensor recover damages for breach of a license agreement based on an invalid patent where the licensee has not sued for royalties. *RCA Corp. v. Data Gen'l Corp.*, 887 F.2d 1056 (Fed. Cir. 1989). Whether claims for breach of contract survive depends in part on the facts presented in each case. *Id.* This Court concludes that current law on this issue does not prohibit the licensor from recovering damages sustained from the breach of a licensing agree-

ment where the validity of the underlying patent was not challenged until after the breach allegedly occurred.

This issue may not be resolved on summary judgment. Among other things, the parties dispute whether Shell underreported its sales and production of polypropylene under the licensing agreement. Shell answers the breach of contract claim by asserting that it paid royalties on all of its production and sale of polypropylene that was covered by the '698 patent. Consequently, Shell argues, it did not breach the license agreement.

The Court concludes that this dispute is factual and genuine. Summary judgment is precluded on the breach of contract claim and parties will proceed to trial on this issue.

IV.

The Court ORDERS that Defendant Shell Oil Company's Motion for Summary Judgment That Claims 1-6 and 14 of U.S. Patent No. 4,125,698 Are Invalid is GRANTED. Defendant Shell's Motion for Summary Judgment of Noninfringement of U.S. Patent No. 4,125,698 is DENIED as moot. Trial will proceed on Plaintiff Studiengesellschaft Kohle's claim for breach of contract.

The law affords the movant an opportunity to file motions to reconsider and the like pursuant to Fed. R. Civ. P. 59 or 60; however this Court reserves the right to sua sponte impose Rule 11 SANCTIONS, for the wasteful and frivolous re-urging of evidence or legal authority that has already been presented to the Court. A motion seeking relief from or reconsideration of this Order will be granted only in rare circumstances. The parties are instructed to seek whatever relief they desire in the United States Court of Appeals for the Fifth Circuit. If a party seeks reconsideration on the basis of evidence that was available before the issuance of this order but that was not submitted in a timely fashion, the movant must show either excus-

able neglect or manifest injustice for failure to provide these materials to the Court earlier.

SIGNED this 31st day of August, 1995.

/s/ Vanessa D. Gilmore
VANESSA D. GILMORE
United States District Judge

[Entered Sep. 29, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Civil Action No. H-93-3267

STUDIENGELSELLSCHAFT KOHLE, M.B.H.,
Plaintiff,

versus

SHELL OIL COMPANY,
Defendant.

ORDER

Pending before the Court is the motion of the Defendant for Reconsideration of the Court's Order of August 31, 1995 (Instrument #80) and the motion of the Plaintiff for Entry of a Final Judgment to allow an interlocutory appeal (Instrument #81). It is clear from the respective motions and responses of the parties that some clarification of the Court's August 31, 1995 is warranted and that an interlocutory appeal in this matter would be appropriate.

Defendant points out that the introductory paragraph of the Court's order states that the breach of contract issue is dismissed as a matter of law. That conclusion is based on the Court's finding that the claims of the '698 patent which are the subject of SGK's breach of contract cause of action all relate to the manufacture of polypropylene, which claims have been determined to be invalid by the Court's order (See Court Order at p. 10). The finding of invalidity also makes it unnecessary for the Court to

rule on the merits of the Defendant's motion for summary judgment of noninfringement. The confusion arises because as the Defendant also notes, the Court's order goes on to say that the trial will proceed on the breach of contract claim. Some clarification on this point is in order.

Throughout its responsive pleadings and the hearing on this motion, SGK argued that its claim for breach of contract would remain viable even if this Court held that the patent forming the basis for the licensing agreement is invalid. The Court noted that several circuits have held that equity requires that the licensor recover royalties incurred before and until the validity of the underlying patent is challenged. *Compare Bristol Locknut Co. v. SPS Technologies, Inc.*, 677 F.2d 1277 (9th Cir. 1982) (allowing recovery of royalties accrued but not paid before date licensee challenged validity) *with PPG Indus., Inc. v. Westwood Chem., Inc.*, 530 F.2d 700 (6th Cir.) (affirming award of back royalties from date of cessation of payments until filing date of lawsuit despite invalidity of underlying patent), *cert. denied*, 97 S.Ct. 76 (1976) *and American Sterilizer Co. v. Sybron Corp.*, 614 F.2d 890 (3d Cir.) (allowing royalty payment until validity of patent challenged by filing lawsuit), *cert. denied*, 101 S.Ct. 88 (1980). Although the Court found that the Federal Circuit has not addressed the issue of back royalties directly, the Court concluded that current law on this issue would not prohibit the Plaintiff from recovering damages for back royalties from the date of the alleged breach until the date that the Defendant challenged the validity of the claims.

Accordingly, as there were fact issues in dispute about whether Shell had breached the contract prior to the time that it challenged the validity of the patent claims, summary judgment on that portion of the Plaintiff's breach of contract claim *relating to back royalties only* was denied. Therefore, contrary to the assertions in Shell's motion, trial of the SGK's breach of contract claim will not depend on the same issues raised in the infringement claim. In-

deed, the issue of infringement or validity will not be an issue at all. The sole issue for the Court to determine will be whether Shell breached the contract by failing to pay all royalties that were owed on its production and sale of polypropylene up to the date that it challenged the validity of the patent.

Both parties have suggested that the Court consider entering an order allowing an interlocutory appeal. Shell argues that the issue of whether SGK is entitled to seek past royalties for processes covered by the invalid claims is a question that would be appropriate for interlocutory appeal and SGK argues that the issue of patent validity would be appropriate for interlocutory appeal. The Court agrees that interlocutory appeal would be appropriate under 28 U.S.C. § 1292(b), but only on the issue of whether SGK is entitled to seek past royalties for processes covered by the invalid claims. Accordingly,

Shell's Motion for Reconsideration (Instrument #80) is DENIED. Plaintiff's Motion for Entry of Final Judgment (Instrument #81) is also DENIED.

IT IS FURTHER ORDERED that the parties may pursue an interlocutory appeal pursuant to 28 U.S.C. § 1292(b) solely on the issue of whether Plaintiff may recover damages for breach of contract for royalties owed from the date of the alleged breach until the date that the Defendant challenged the validity of the claims. The proceedings in this case will be stayed pending the appeal. The file will be administratively closed and the parties are ORDERED to move for a lifting of the stay within ten days from the date that the appeal is concluded.

Signed this 28th day of September, 1995.

/s/ Vanessa D. Gilmore
VANESSA D. GILMORE
United States District Judge

[Entered Oct. 11, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Civil Action No. H-93-3267
Judge Vanessa D. Gilmore

STUDIENGESELLSCHAFT KOHLE, M.B.H.,
Plaintiff,

VS.

SHELL OIL COMPANY,
Defendant.

FINAL JUDGMENT UNDER RULE 54(b)

The Court having made various rulings on summary judgment, and having expressly determined that there is no just reason for delay, it hereby revokes the denial of Plaintiff's Motion for Entry of Final Judgment in its Order of September 28, 1995 and directs entry of this final judgment on the matters set forth below:

1. Plaintiff's claim of infringement of claims 1-6 and 14 of U.S. Patent 4,125,698 by defendant's polypropylene operations is dismissed, such patent claims being invalid under 35 U.S.C. 102(b).

2. There is no claim before the Court raising the question of whether any of defendant's polybutylene operations infringe U.S. Patent 4,125,698.

3. There is no claim before the Court raising the question of whether any of defendant's polymerization operations infringe claim 13 of U.S. Patent 4,125,698.

All proceedings herein are stayed, so long as plaintiff takes a timely appeal from this judgment, until the disposition of such appeal. The parties shall move to lift the stay within ten (10) days from the date that the appeal is concluded.

Dated October 10, 1995

/s/ Vanessa D. Gilmore
United States District Judge

[Entered Oct. 11, 1995]

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Civil Action No. H-93-3267

STUDIENGELSELLSCHAFT KOHLE, M.B.H.,
Plaintiff,

versus

SHELL OIL COMPANY,
Defendant.

ORDER

The orders of August 31, 1995 and September 28, 1995 involve a controlling question of law as to which there is a substantial ground for differences of opinion. An immediate appeal thereof may materially advance the ultimate determination of the litigation.

Accordingly, this Court certifies the following question of law for interlocutory appeal under 28 U.S.C. § 1292(b):

Where the Court has found the relevant patent claims invalid, may the Licensor recover damages for breach of contract for past royalties due on processes allegedly covered by such claims, from the date of the alleged breach until the date that the Licensee first challenged the validity of the claims.

The Clerk shall enter this Order and provide a copy to all parties.

SIGNED this 10th day of October, 1995.

/s/ Vanessa D. Gilmore
VANESSA D. GILMORE
United States District Judge

NOTE: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Miscellaneous Docket No. 451

STUDIENGESELLSCHAFT KOHLE, m.b.H.,
Plaintiff-Respondent,

v.

SHELL OIL COMPANY,
Defendant-Petitioner.

On Petition for Permission to Appeal

96-1079

STUDIENGESELLSCHAFT KOHLE, m.b.H.,
Plaintiff-Appellant,

v.

SHELL OIL COMPANY,
Defendant-Appellee,

On Motion to Consolidate

Before PLAGER, *Circuit Judge*, NIES, *Senior Circuit Judge*, and RADER, *Circuit Judge*.

PLAGER, *Circuit Judge*.

ORDER

Shell Oil Company petitions for permission to appeal the orders certified by the United States District Court for the Southern District of Texas as involving a controlling question of law as to which there is a substantial ground for difference of opinion and for which an immediate appeal may materially advance the ultimate termination of the litigation. 28 U.S.C. § 1292(b),(c)(1). Studiengesellschaft Kohle, m.b.H. (SGK) states that it does not oppose the petition. SGK notes that it has appealed another portion of the case, appeal no. 96-1079, certified by the district court pursuant to Fed. R. Civ. P. 54(b). SGK moves for consolidation of the two appeals and for the court to set forth a briefing schedule.

Briefly, SGK and Shell entered into a licensing agreement concerning Shell's manufacture of polypropylene in exchange for royalties. Shell thereafter developed a new polymerization process and it began production under this process. SGK sued Shell for infringing its patent and for breach of contract, alleging that Shell used SGK's patented process in the new polymerization process and that Shell underreported its production and sale of polypropylene and failed to pay royalties under the licensing agreement.

Shell moved for summary judgment of invalidity and noninfringement. On August 31, 1995, the district court granted Shell's motion for summary judgment of invalidity, determining that SGK's patent was invalid as anticipated by prior art. The district dismissed SGK's breach of contract claim and it concluded that SGK's infringement claim was moot.

Turning to SGK's argument that it was entitled to damages for the period following execution of the licensing agreement and until the invalidity determination, the district court concluded that some circuit courts have held that under equity a licensor may recover damages for breach of contract for past royalties earned before and

until the validity of the underlying patent is challenged. The district court noted that this court has not addressed directly the issue of damages for such royalties. *See, e.g., RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1989). The district court thus concluded that current law "does not prohibit a licensor from recovering damages sustained from the breach of a licensing agreement where the validity of the underlying patent was not challenged until after the breach allegedly occurred." Lastly, the district court ordered that trial proceed on this issue.

Shell moved for reconsideration of the August 31 order, and SGK moved for entry of a final judgment. On September 29, 1995, the district court denied both motions, but concluded that an interlocutory appeal under § 1292(b) would be appropriate concerning whether "SGK is entitled to seek past royalties for processes covered by the invalid claims." On October 11, 1995, the district court set forth the following as the controlling question of law:

> Where the Court has found the relevant patent claims invalid, may the Licensor recover damages for breach of contract for past royalties due on processes allegedly covered by such claims, from the date of the alleged breach until the date that the Licensee first challenged the validity of the claims.

In a second order issued on October 11, the district court vacated its earlier denial of SGK's motion for entry of a final judgment and directed entry of final judgment under Fed. R. Civ. P. 54(b) with regard to the summary judgment of invalidity. On October 26, 1995, SGK appealed, appeal no. 96-1079.

This court makes its own determination whether it will accept an interlocutory appeal pursuant to § 1292(b), (c)(1). *See In re Convertible Rowing Exerciser Patent Litigation*, 903 F.2d 822 (Fed. Cir. 1990). Such a ruling is within this court's complete discretion. *Id.*

We conclude that the first October 11 order meets the criteria of § 1292(b), (c)(1) and that permissive appeal is warranted. The issue that arises in this petition encompasses a controlling question of law and is appropriate for immediate appeal pursuant to § 1292(b), (c)(1). Further, both parties and the district court request that we accept this appeal.

Accordingly,

IT IS ORDERED THAT:

(1) Shell's petition for permission to appeal is granted.

(2) SGK's motion for consolidation is granted.

(3) After Shell's appeal is docketed, SGK will be designated the appellant and Shell will be designated the cross-appellant. The briefing schedule will be computed in accordance with the filing date of Shell's appeal.

Date November 29, 1995

FOR THE COURT

/s/ S. Jay Plager
S. JAY PLAGER
Circuit Judge

cc: Arnold Sprung, Esq.
cc: John D. Norris, Esq.

[Filed Jun. 27, 1997]

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

96-1079,-1200

STUDIENGESELLSCHAFT KOHLE, M.B.H.
Plaintiff-Appellant,

v.

SHELL OIL COMPANY.
Defendant/Cross-Appellant.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the CROSS-APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on July 7, 1997.

FOR THE COURT
JAN HORBALY
Clerk

Dated: June 27, 1997

By /s/ Alex Van Veen
ALEX VAN VEEN
Staff Law Clerk

cc: Arnold Sprung
cc: John D. Norris

[Filed Mar. 23, 1993]

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

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93 Civ. 1868

STUDIENGESELLSCHAFT KOHLE MBH,
Plaintiff,

v.

SHELL OIL COMPANY,
Defendant.

COMPLAINT

Claim 1—Breach of Contract

1. Jurisdiction is conferred on this court by 28 U.S.C. § 1332. The amount in controversy is in excess of $50,000, exclusive of interest and costs. Venue is appropriate under 28 U.S.C. § 1391(a).

2. Plaintiff, Studiengeseilschaft Kohle mbH ("SGK"), is a German corporation having its principal place of business at Kaiser-Wilhelm-Platz 1, D-4330 Mülheim/Ruhr 1, Federal Republic of Germany.

3. Defendant, Shell Oil Company, is a Delaware corporation, doing business in New York, which, upon information and belief, has its principal place of business at One Shell Plaza, Houston, Texas 77252.

4. On or about March 7, 1974, SGK entered into an agreement with defendant (effective as of March 7, 1973) granting defendant permission to use SGK's patented in-

ventions in the field of polypropylene manufacture in exchange for the payment of royalties. This agreement has been supplemented and amended, from time to time, by the parties.

5. Under the agreement, as supplemented and amended, defendant has had the right for the past few years to manufacture up to 300 million pounds of polypropylene per year, using SGK's patented inventions, without payment of royalty, but it must pay a royalty of 1.5% of the net selling price of all such polypropylene in excess of 300 million pounds per year.

6. Defendant has materially breached the agreement by failing to pay agreed-upon royalties for its production in excess of 300 million pounds of such polypropylene per year.

Claim 2—Patent Infringement

7. Jurisdiction is conferred on this court by 28 U.S.C. §§ 1331 and 1338. Venue is appropriate under 28 U.S.C. §§ 1400 and 1391(c).

8. Plaintiff repeats and realleges ¶¶ 2-6 of this complaint.

9. Defendant has been and is using one or more processes claimed in plaintiff's U.S. Patent 4,125,698 to manufacture polypropylene.

10. In view of defendant's breach set forth above, SGK owes defendant no duty to forbear from bringing a claim for patent infringement. SGK elects to treat defendant's manufacture of polypropylene as an infringement of plaintiff's U.S. Patent 4,125,698.

11. In view of defendant's breach, SGK has also sent defendant a notice of termination in accordance with the terms of the 1973 agreement, as supplemented and amended. Unless Shell cures its breach during the next 60 days, the agreement between the parties is, in any event, terminated.

12. Upon information and belief, defendant's infringement is willful and defendant will continue its infringement, to the irreparable injury of plaintiff, unless enjoined by this Court.

Claim 3—Declaratory Judgment Claim

13. Plaintiff repeats and realleges ¶¶ 1-12 of the complaint.

14. This is a declaratory judgment claim, alleged in the alternative, should the Court determine that SGK's claim of patent infringement is not yet ripe. In such event, defendant's actions threaten infringement of the 4,125,698 patent in suit in the near future.

15. A case of actual controversy exists between the parties as to whether defendant's commercial polypropylene processes come within the claims of SGK's U.S. Patent 4,125,698.

16. Despite demands by SGK that defendant pay for its polypropylene production under the claims of this patent, defendant has refused to do so.

17. SGK has given defendant reasonable apprehension that a suit would be forthcoming by repeatedly urging that defendant should pay for its use of the '698 patent in connection with its continuing polypropylene production.

WHEREFORE, plaintiff requests the following relief:

1. Judgment declaring that the 1973 license agreement between the parties, as amended and supplemented, has been breached by Shell;

2. An award of damages suffered by SGK as the result of such breach;

3. Judgment that defendant's processes infringe SGK's U.S. Patent 4,125,698;

4. Judgment declaring that the license agreement between the parties, as amended and supplemented, is terminated;

5. Damages for patent infringement, from and after the date of this action, and the trebling of such damages for willful infringement;

6. An injunction against continued infringement of U.S. Patent 4,125,698 by defendant, its agents, servants and employees, and all those acting in concert with them;

7. A declaratory judgment that even if SGK's claim of patent infringement is not already ripe, defendant's polypropylene process will, in the near future, constitute infringement of the '698 patent in suit;

8. An injunction against such threatened infringement;

9. Interest, costs, reasonable attorneys fees, and such other and further relief as the Court may deem just.

STUDIENGESELLSCHAFT KOHLE MBH

By: /s/ Arnold Sprung, Esq.

ARNOLD SPRUNG, ESQ.
[5238]
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[3695]
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Attorneys for Plaintiff

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 93 Civ. 1868 (PKL)

STUDIENGESELLSCHAFT KOHLE MBH,
Plaintiff,

v.

SHELL OIL COMPANY,
Defendant.

ANSWER AND COUNTERCLAIM OF DEFENDANT SHELL OIL COMPANY

Shell Oil Company ("Shell") responds to the complaint of Studiengesellschaft Kohle MbH ("SGK") as follows:

Claim 1—Breach of Contract

1. Shell admits the allegations of paragraph 1.

2. Shell admits the allegations of paragraph 2.

3. Shell admits the allegations of paragraph 3.

4. Shell admits the allegations of paragraph 4.

5. Shell admits that it has had the right to manufacture up to 300 million pounds of polypropylene per year without payment of royalty. Shell denies that any royalty is due for any polypropylene made in excess of 300 million pounds per year.

6. Shell denies the allegations of paragraph 6.

Claim 2—Patent Infringement

7. Shell admits the allegations of paragraph 7.

8. Shell repeats and reasserts its responses to paragraphs 2-6.

9. Shell admits that it produces polypropylene using a catalyst pretreated with diethyl aluminum chloride. Royalties have been paid for the production of any such polypropylene in excess of 300 million pounds per year in accordance with the 1973 agreement, as amended. Shell denies that its remaining polypropylene production is within the valid scope of any claim of U.S. Patent 4,125,698.

10. Shell denies that there has been any breach by Shell and that SGK does not owe Shell a duty to forebear from bringing a claim of patent infringement. Shell admits SGK is attempting to treat Shell's polypropylene manufacture as an infringement of SGK's U.S. Patent 4,125,698 ("the '698 patent"), but denies that any such infringement has taken place.

11. Shell admits that SGK has sent a letter dated March 23, 1993, to Shell purporting to be a notice of termination in accordance with the terms of the 1973 agreement, as supplemented and amended. Shell denies that the letter is an effective notice and that SGK has any basis for terminating the 1973 agreement. Shell further denies that there has been any breach of the 1973 agreement and that any cure is necessary to avoid termination of the agreement.

12. Shell denies the allegations of paragraph 12.

Claim 3—Declaratory Judgment Claim

13. Shell repeats and reasserts its responses to paragraphs 1-12.

14. Shell admits that this claim purports to be a declaratory judgment claim, alleged in the alternative to claim 2 of SGK's complaint. Shell denies the remaining allegations of this paragraph.

15. Shell admits the allegations of paragraph 15.

16. Shell admits that SGK has made demands for royalty payments and that Shell has not met SGK's demands.

Shell denies that it has failed to pay for production of polypropylene produced under the claims of the '698 patent.

17. Shell admits the allegations of paragraph 17.

AFFIRMATIVE DEFENSES

18. SGK's claims for relief are barred by laches.

19. SGK's claims for relief are barred by estoppel.

20. The '698 patent is invalid and unenforceable for failure to comply with the conditions and requirements for patentability set forth in Title 35, United States Code, and the rules, regulations, and law pertaining thereto, including *inter alia*, 35 U.S.C. §§ 101, 102, 103, and 112.

COUNTERCLAIMS

The Parties

21. Plaintiff/counterdefendant SGK is a German corporation having its principal place of business at Kaiser-Wilhelm-Platz 1, D-4330 Mülheim/Ruhr 1, Federal Republic of Germany.

22. Defendant/counterplaintiff Shell is a Delaware corporation having its principal place of business at One Shell Plaza, Houston, Texas 77002.

23. SGK purports to be the owner of record of U.S. Patent 4,125,698 ("the '698 patent").

24. SGK granted Shell a license under its patents in the field of polypropylene manufacture on March 7, 1974 (effective as of March 7, 1973) ("the 1973 license agreement"). The 1973 license agreement was modified in 1979 and 1987.

Jurisdiction

25. In this action, SGK has alleged that Shell by its polypropylene production has infringed the '698 patent.

26. There is a substantial and continuing justiciable controversy between Shell and SGK as to the validity and scope of the claims of the '698 patent and as to whether Shell's polypropylene production infringes any valid claims thereof.

27. By letter dated March 23, 1993, SGK purported to give Shell notice of termination of the 1973 license agreement, as amended. Shell has notified SGK in writing that it believes this notice to be ineffective.

28. Shell has no obligation under the 1973 license agreement, as amended, to pay royalties on the sale of polypropylene made by a method outside the scope of the '698 patent.

29. There is a substantial and continuing justiciable controversy between Shell and SGK as to SGK's right to terminate the 1973 license agreement, as amended.

30. Shell seeks a declaratory judgment to settle the controversy between the parties with respect to the invalidity, unenforceability, and noninfringement of SGK's '698 patent.

31. Shell seeks a declaratory judgment to settle the controversy between the parties with respect to SGK's attempted termination of the 1973 license agreement.

32. Jurisdiction of this court arises under the Federal Declaratory Judgments Act, Title 28, United States Code, Sections 2201 and 2202, and under the laws of the United States concerning actions relating to patents, Title 28, United States Code, Section 1338(a), and under the laws of the United States concerning actions between citizens of a state and citizens of a foreign state, Title 28, United States Code, Section 1332(a).

Claim for Relief

33. The '698 patent is invalid, unenforceable, and void under statutory and decisional law, for failing to satisfy one or more of the provisions for patentability set forth

in Title 35, Part 2, United States Code, and the rules, regulations, and law pertaining thereto, including *inter alia*, the requirements of 35 U.S.C. §§ 101, 102, 103, and 112.

34. If there be any patentable invention in the subject matter of the '698 patent, which Shell denies, the '698 patent nevertheless was not obtained in a manner consistent with the provisions of Title 35, United States Code.

35. Shell has not infringed any valid and/or enforceable claims of the '698 patent.

36. By reason of the proceedings in the Patent and Trademark Office during the prosecution of the application which resulted in the '698 patent, as shown by the file history thereof, SGK is estopped to claim for the '698 patent a construction that would cause the '698 patent to cover or include any Shell process.

37. Pursuant to the terms of the 1973 license agreement, as amended, SGK is entitled to terminate the license for nonpayment of royalties only "in the event of failure of licensee to report and/or make payments due."

38. Shell has reported its polypropylene production to SGK. Shell has paid royalties on its polypropylene production, made using a catalyst pretreated with diethyl aluminum chloride, in excess of 300 million pounds per year in accordance with the 1973 agreement as amended. Shell's remaining polypropylene production is outside the valid scope of any claim of the '698 patent, and therefore, no additional royalties have been due.

39. Shell's nonpayment of royalties on polypropylene production outside the scope of the claims of the '698 patent is not grounds for termination of the 1973 agreement, as amended.

WHEREFORE, defendant Shell demands:

1. Entry of judgment that SGK is without right or authority to threaten or maintain suit against Shell for the alleged infringement of U.S. Patent No. 4,125,698; and

that U.S. Patent No. 4,125,698 be declared invalid, unenforceable, and void in law; and that U.S. Patent No. 4,125,698 is not infringed by Shell.

2. Entry of judgment that SGK's attempted notice of termination of the 1973 license agreement is ineffective and that the 1973 license agreement, as amended, remains in full force and effect.

3. Entry of judgment that SGK's breach of contract claim is barred by the statute of limitations.

4. Entry of judgment that SGK's patent infringement claim is barred by laches and estoppel.

5. Entry of judgment for costs and reasonable attorney's fees incurred by Shell.

AGREEMENT

THIS AGREEMENT, entered into this 7th day of March, 1974, effective as of March 7th, 1973 by and between Studiengesellschaft Kohle m.b.H. as Trustee for the Max Planck Institute of Mülheim/Ruhr, Germany, Lembkestrasse 5, (hereinafter called "LICENSOR"), and SHELL OIL COMPANY, a corporation of Delaware, U.S.A., (hereinafter called "LICENSEE").

WHEREAS, Professor Dr. Dr. h.c. mult. Karl Ziegler (hereinafter called "Ziegler") and LICENSEE have entered into an agreement on December 23, 1964, entitled "Polypropylene Ziegler Patent License Agreement;" and

WHEREAS LICENSOR is the successor to the Patent Rights of Ziegler; and

WHEREAS, in accordance with Article IV of said license, LICENSEE has requested that this License be substituted for the license of December 23, 1964;

NOW, THEREFORE, the following terms and conditions shall be binding upon the parties in lieu of those set forth in said agreement of December 23, 1964.

I. DEFINITIONS

Wherever used in this Agreement, the following terms have the following meaning:

1. The term "Polypropylene" is used herein defining a solid polymer of propylene containing not more than ten (10) mol percent of other monomers, provided said polymers are not elastomers, **or are not used by LICENSEE for the production of elastomers.***

2. The term "Catalyst" or "Catalysts" means any metallic mixed catalyst system (sometimes referred to as a Ziegler-catalyst or Ziegler-catalysts) compris-

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(*) Material set in bold face type was struck through in original.

ing a product formed from compounds of the metals of the sub-groups of Groups IV to VI of the Periodic System and aluminum compounds having the general formula RAlR'R", in which R represents hydrogen or a hydrocarbon, such as an alkyl or aryl radical, and R' and R", which may be the same or different, represent hydrogen, halogen, a hydrocarbon, such as an alkyl or aryl radical, or a radical of a hydrocarbon derivative, such as for example an alkoxy or aryloxy radical.

3. The term "Process" or "Processes" means any process in which propylene is polymerized in the presence of the Catalyst to Polypropylene.

4. The term "Patent Right" shall include the United States patents and patent applications listed in annexed Schedule A, any patents which may issue on said applications, and any patent or patents which issue on continuation, continuation-in-part, division, or reissue applications based upon any of the said patents or patent applications. It shall also include other of LICENSOR's United States patents and patent applications under which a license would be necessary in order to make propylene polymerization Catalysts and use the same for propylene polymerization and make, use, or sell Polypropylene according to the license hereinafter granted.

5. The term "Elastomer" means a material which at room temperature can be stretched repeatedly to at least twice its original length and upon immediate release of the stress will return with force to its approximate original length.

II. LICENSE GRANT

LICENSOR hereby grants the LICENSEE, effective as of the date above, a non-exclusive License under the Patent Rights to make, use, and sell Polypropylene in the United States, its territories and possessions.

III. DOWN-PAYMENT

In view of past royalties paid by LICENSEE to LICENSOR no further down-payment is required.

IV. ROYALTY

LICENSEE agrees to pay LICENSOR a royalty on all Polypropylene produced and either used or sold by LICENSEE pursuant to the License granted herein as follows:

(a) 1.5% (One point Five Percent) of the net sales for the first Five Million Dollars ($5,000,000) of Polypropylene sold by LICENSEE pursuant to the License granted hereunder in each contract year.

(b) 1.2% (One point Two Percent) of the net sales for the next Five Million Dollars ($5,000,000) of Polypropylene sold by LICENSEE pursuant to the License granted hereunder in each contract year.

(c) 1.0% (One point Zero Percent) of the net sales of all sales in excess of Ten Million Dollars ($10,000,000) of Polypropylene sold by LICENSEE pursuant to the License granted hereunder in each contract year.

The "Net Sales Price" shall constitute the gross sales price in U.S. Dollars of the Polypropylene per se as produced or sold by LICENSEE less normal trade discounts, credits and allowances, and freight and returns.

For the purpose of this Agreement, Polypropylene shall be deemed sold when invoiced or delivered to a customer, whichever shall earlier occur, or when utilized by LICENSEE for the production of finished or semi-finished articles.

Where not invoiced, the Net Sales Price of the Polypropylene produced pursuant to the License herein shall be the fair market price of such Polypropylene.

V. BOOKS OF ACCOUNT AND ROYALTY PAYMENTS

On or before the last day of February, May, August, and November of each calendar year during the life of this Agreement, LICENSEE shall furnish to LICENSOR a written accounting containing a detailed computation of all royalties then due and indicating the quantity of Polypropylene manufactured and either used or sold by LICENSEE in the United States and its territories.

At the time of rendering such accounting, LICENSEE shall pay LICENSOR the amount of royalties due in United States Dollars in Germany or in such other place designated by LICENSOR in writing.

All taxes applicable to payments made to LICENSOR pursuant to this Agreement and deriving therefrom shall be borne by LICENSEE with the sole exception of taxes to be paid by LICENSOR in Germany. LICENSOR agrees, on request of LICENSEE, to provide LICENSEE with a written statement that it is a citizen and resident of the Federal Republic of Germany, that it has no permanent establishment in the United States, and that the payments made by LICENSEE are exempt from the withholding of United States tax at source, under the provisions of Article VIII of the convention between the United States and the Federal Republic of Germany.

For the sole purpose of ascertaining the correctness of accountings rendered by LICENSEE and/or computing royalties due from LICENSEE hereunder, LICENSOR by five days written notice shall have the right to inspect LICENSEE's books during regular business hours through a Certified Public Accountant not objectionable to LICENSEE.

VI. TERM

This Agreement shall remain in full force and effect until the expiration date of the last patent or patents within the Patent Right and which have been utilized by

LICENSEE, but may be terminated by LICENSOR upon sixty (60) days written notice:

(a) In the event of failure of LICENSEE to report and/or make payments due hereunder (unless LICENSEE shall correct such failure during said sixty days);

(b) In the event that bankruptcy or similar proceedings concerning the solvency of LICENSEE shall prevent LICENSEE from effectively complying with any of the provisions of this Agreement.

LICENSEE shall have the right to terminate this Agreement:

(a) On ninety (90) days written notice to LICENSOR in the event of any failure or default by LICENSOR under any of the terms of this AGREEMENT, unless said failure or default shall be corrected within said ninety days;

(b) At any time upon written notice to LICENSOR.

LICENSEE shall, after any termination of this Agreement, render a final accounting for all Polypropylene produced and/or sold up to the actual date of termination, according to the provisions of Paragraph V.

VII. THIRD PARTY RIGHTS AND WARRANTY

LICENSOR makes no representations nor warranties with respect to LICENSEE'S right to produce Polypropylene and/or Catalysts or Catalyst components pursuant to the License granted herein, nor with respect to infringement of third party rights. LICENSOR solely warrants it has the right to grant the License granted herein, and that the Patent Rights as set forth in Schedule A constitute all of its rights under which a License is required from it for the manufacture of Polypropylene with a Ziegler-type catalyst and/or the sale of such product.

VIII. TRANSFER OF BENEFICIAL INTEREST IN PERSONAL DEFENSE

LICENSOR hereby transfers and assigns to LICENSEE during the term of this Agreement a beneficial interest in any personal defenses which it may have with respect to third-party patent rights concerning the subject matter licensed hereunder, and agrees to render reasonable assistance and cooperation to LICENSEE in the assertion of such personal defenses.

IX. MOST FAVORED LICENSEE CLAUSE

If LICENSOR during the life of this Agreement subsequently grants to a third party a license to make, use, and sell Polypropylene in the United States, its territories and possessions under more favorable terms and conditions, LICENSOR agrees to promptly advise LICENSEE thereof. LICENSEE, upon ninety (90) days written notice, shall be entitled to such more favorable provisions, provided that LICENSEE agrees to also accept any less favorable provisions or obligations set forth in such third-party license.

Such more-favorable provisions shall only, however, be applicable for so long as the same are applicable to such third party.

In no case, however, shall any provision of this Article be construed as imposing an obligation on LICENSOR to repay or reimburse LICENSEE for any royalties previously paid or due up to the time of any such modification.

X. REPAYMENT

In no case shall LICENSOR be required to repay or reimburse LICENSEE for any royalties paid or due hereunder.

XI. CONFIDENTIALITY

LICENSOR agrees to maintain in confidence any confidential information which it may receive with respect to the business of LICENSEE pursuant to accounts and/or inspection of books hereunder.

XII. ASSIGNABILITY

This Agreement shall be freely assignable by LICENSOR, and shall be freely assignable by LICENSEE to a successor of LICENSEE to substantially the whole business of LICENSEE to which this license pertains. Any other assignment by LICENSEE shall be only made with written consent of LICENSOR and shall only become effective on Assignee's acceptance in writing of all provisions of this Agreement and all of the obligations of the Assignor with respect to this Agreement.

XIII. NOTICES

All notices to be given hereunder shall be sent by cable or registered airmail at their respective addresses set forth hereinafter, provided, however, that either of such addresses may be changed by two weeks written notice hereof to the other party. Any notices given by cable and timely confirmed by airmail shall be effective five (5) days after the cable is sent.

Any notice to LICENSOR shall be addressed to:

Studiengesellschaft Kohle m.b.H.
Lembkestrasse 5
4330 Mülheim/Ruhr
Germany

Any notice to LICENSEE shall be addressed to:

Shell Oil Company
P.O. Box 2463
Houston, Texas 77001
Attention: Patents and Licensing Division

XIV. INTERPRETATION

This Agreement shall be interpreted in accordance with the law of the State of New York, U.S.A.

XV. SCOPE

This Agreement constitutes the full and complete agreement between the parties, and no changes and/or modifications shall be binding unless in writing and signed by the party charged.

The License granted hereunder is the sole license granted, and no further licenses are intended or should be implied. The warranties and representations as set forth herein are the sole warranties and representations made, and no others are implied.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names by their duly authorized representatives as of the date first above written.

STUDIENGESELLSCHAFT
KOHLE m.b.H.

Witness

/s/ [Illegible]

By /s/ [Illegible]

SHELL OIL COMPANY

Witness

/s/ [Illegible]

By /s/ Julius D. Heldman
By /s/ Julius D. Heldman,
Vice President

SCHEDULE A

U.S. Patents:

2,835,689
2,930,808
3,032,574
3,113,115
3,207,770
3,207,772
3,207,773
3,207,774
3,257,332
3,357,967
3,377,332
3,546,133
3,574,138
3,579,493

U.S. Patent Applications:

218,527
514,068
645,548
668,948
716,230
745,998
770,484

AGREEMENT

THIS AGREEMENT, entered into by and between Studiengesellschaft Kohle m.b.H., as Trustee for the Max-Planck-Institut fur Kohlenforschung, of Mulheim/Ruhr, Germany, Lembkestrasse 5, (hereinafter called "LICENSOR"), and Shell Oil Company, a corporation of Delaware, U.S.A., (hereinafter called "LICENSEE"), this 30 day of September, 1979;

WHEREAS, the parties have entered into an agreement on the 7th day of March, 1974, effective as of March 7, 1973, (hereinafter referred to as the " '74 Agreement"), under which LICENSEE has been granted a license under the Patent Rights of Professor Karl Ziegler to make, use and sell Polypropylene in the United States, its territories and possessions, LICENSOR being the successor to these Patent Rights;

WHEREAS, LICENSEE has accounted and paid royalties to LICENSOR under said '74 Agreement, but has questioned its obligation to pay such royalties and LICENSOR'S right to retain the same, and LICENSOR has maintained that such royalties are due and payable to it and are non-returnable; and

WHEREAS, LICENSEE would like to acquire a paid-up license for the production, use and sale of a certain quantity of Polypropylene per year under the Patent Rights as defined in the '74 Agreement;

NOW, THEREFORE, in consideration of the above and in order to settle the above controversy, the parties agree as follows:

1. The Definitions as set forth in the '74 Agreement are applicable herein.

2. LICENSOR hereby grants to LICENSEE, effective January 1, 1979, a fully paid-up license under the Patent Rights to make, use and sell up to four-hundred-fifty (450)

million pounds per calendar year of Polypropylene in the United States, its territories and possessions.

3. For the paid-up license, as set forth above, LICENSEE agrees and hereby obligates itself to pay LICENSOR the sum of one-million-eight-hundred-thousand dollars ($1,800,000), less any regular royalty payments made by LICENSEE to LICENSOR pursuant to the '74 Agreement for sales of Polypropylene made after January 1, 1979.

4. LICENSEE acknowledges the agreement to make payment as set forth above to constitute an unconditional contractual obligation on its part and that the payments made are non-returnable, but may, at its option, make such payments to LICENSOR as follows:

Payment of one-million dollars ($1,000,000), less credits for regular royalty payments made under the '74 Agreement for Polypropylene sales after January 1, 1979, within thirty (30) days of the execution of this Agreement, and payment of the balance of eight-hundred-thousand dollars ($800,000) no later than January 15, 1980.

5. If during any year of the period terminating December 3, 1980, LICENSEE produces a quantity of Polypropylene in excess of four-hundred-fifty (450) million pounds, LICENSEE agrees to pay LICENSOR a royalty of one percent (1%) of the Net Sales of such excess.

6. After December 3, 1980, the parties agree to establish a new royalty rate for yearly production in excess of four-hundred-fifty (450) million pounds, which, however, shall be no greater than the most favorable running royalty rate being paid by any other licensed United States producer of Polypropylene when his production exceeds a paid-up license, if any.

7. LICENSEE represents that its Polybutene production is not covered by the Patent Rights, and LICENSOR accepts this representation and will not challenge the same

for so long as this Agreement has not been breached by LICENSEE.

8. This Agreement shall be interpreted in accordance with the law of the State of New York and shall be controlling where inconsistent with any prior agreements between the parties, including the '74 Agreement.

9. This Agreement does not resolve any conflict between the parties arising from the granting of a license by Professor Dr. Karl Ziegler to Diamond Shamrock Corporation.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in their names by their duly authorized representatives as of the date first written above.

STUDIENGESELLSCHAFT
KOHLE m.b.H.

By: /s/ [Illegible]

SHELL OIL COMPANY

By: /s/ [Illegible]
General Manager

AGREEMENT

THIS AGREEMENT, entered into this 6th day of July, 1987, by and between Studiengesellschaft m.b.H., as Trustee for the Max-Planck-Institut für Kohlenforschung, of Lembkestrasse 5, Mülheim/Ruhr, Federal Republic of Germany, (hereinafter "SGK"), and Shell Oil Company, a corporation of Delaware, U.S.A., (hereinafter "SHELL");

WHEREAS, the parties are involved in Civil Action No. H-86-4290 in the United States District Court for the Southern District of Texas, entitled *Shell Oil Co. v. Studiengesellschaft Kohle m.b.H., as Trustee for the Max-Planck-Institute for Coal Research, of Mülheim/Ruhr, Germany*, and are desirous of settling said litigation and the controversies between the parties reflected thereby.

NOW, THEREFORE, the parties agree as follows:

1. SGK'S Notice of Cancellation of the agreement between the parties of March 7, 1974 and September 30, 1979 is withdrawn, and the parties agree that said agreements are in full force and effect, except to the extent as modified herein.

2. SHELL agrees to pay SGK a one-point-five percent (1.5%) royalty on net sales of Polypropylene (i.e. solid polymers of propylene containing not more than twenty five (25) mol percent of other monomers, provided said polymers are not elastomers) produced in excess of 450 million pounds per year, utilizing a catalyst with a heavy metal component as defined in claim 1 of the '698 patent, such as a titanium chloride-containing component, which is contacted with a compound having the formula RR'AlX, as defined in claim 1 of the '698 patent. The parties agree that this shall establish the new royalty rate as set forth in Article 6 of the September 30, 1979 agreement.

3. Upon execution of this Agreement, SHELL shall pay SGK the sum of Two Million Dollars ($2,000,000), which shall be non-returnable, but which shall be fully creditable

against the royalties due and payable pursuant to Article 2 above.

4. SHELL agrees to render accountings pursuant to Article V of the March 7, 1974 agreement, except:

(a) the accounting shall be rendered on an annual basis as of December 31 of each year within sixty (60) days of such date.

(b) SHELL shall render an initial accounting as of August 1, 1987, which shall include all yearly production in excess of 450 million pounds which occurred prior to 1987.

(c) On August 1 of each year, beginning on August 1, 1988, SHELL shall make an estimated royalty payment on the production in excess of 450 million pounds for half-year (January through June) period.

(d) With each yearly accounting rendered, SHELL shall specify the amount of Polypropylene produced which it considers as falling outside of the license and shall provide SGK, in confidence, with sufficient information to allow SGK to independently evaluate whether or not said production is, in fact, outside of the scope of the license.

5. Article XII of the March 7, 1974 agreement is modified by the following additions:

> "LICENSEE shall furthermore have the right to assign any portion of its 450 million pound per year paid-up capacity to a purchaser of a manufacturing plant to which the license applied. The assigned paid-up capacity, however, shall not exceed the actual production capacity of the plant in question at the time of its purchase."

6. Civil Action No. H-86-4290, including the Complaint and Counterclaim, shall be dismissed, with prejudice, with each party paying its own costs. The parties shall cause their attorneys to enter into and file an appropriate stipulation to effect this.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed in their names by their duly authorized representatives.

STUDIENGESELLSCHAFT
KOHLE M.B.H.

By: /s/ [Illegible]

SHELL OIL COMPANY

By: /s/ [Illegible]